

COMMISSION DIRECTIVE

ADMINISTRATIVE MATTERS	<input type="checkbox"/>	DATE	<u>July 30, 2008</u>
MOTOR CARRIER MATTERS	<input type="checkbox"/>	DOCKET NO.	<u>2008-5-G</u>
UTILITIES MATTERS	<input checked="" type="checkbox"/>		<u></u>

SUBJECT:

DOCKET NO. 2008-5-G – Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of South Carolina Electric and Gas Company – A Hearing was Held on this Matter on July 8, 2008. This Matter is Ready for Final Disposition.

COMMISSION ACTION:

With regard to the SCE&G PGA proceeding in Docket No. 2008-5-G, I have a multi-part motion. With regard to the period under review, I move the following: First, I move that we find that SCE&G properly administered the purchased gas adjustment and employed prudent gas purchasing practices and policies. Second, I move that we find that SCE&G administered the Industrial Sales Program Rider prudently and reasonably, and in accordance with the terms of Order No. 2005-619, and, except as described in the ORS testimony of Roy H. Barnette in this docket, that the Company recovered its gas costs consistent with all applicable tariffs and Commission Orders. I also move that this Commission find that the appropriate cost of gas calculations for the review period are as set forth in ORS Audit Exhibit RHB-1, as attached to the testimony of Roy H. Barnette, and that the monthly adjustment procedure and notification procedure for the total cost of gas factors as adopted in Order No. 2006-679 shall be maintained. Third, I move that we find that the Company conducted and administered its hedging program consistent with prior authorizations granted by this Commission, and that the Company was prepared during the review period and is currently prepared to meet its firm customers' projected needs via its future supply and capacity asset plans.

Fourth, I move that we hold that the demand charges included in the total cost of gas factors should continue to be calculated as set forth in Commission Order No. 2006-679 by distributing such costs among the rate schedules based upon a 50-50 allocation of peak design day demand and annual forecast sales, and that SCE&G should use the 50-50 allocation of peak design day demand and annual forecast sales for demand charges in any recalculation of total cost of gas factors. I also move that we hold as reasonable and appropriate the allocation factors contained in the pre-filed testimony of SCE&G witness Scruggs, which were 66.84% for residential, 29.95% for small and medium general service and 3.21% for large general service customers, and that these factors should be used for cost of gas calculations beginning with the first billing cycle of November 2008.

Fifth, I move that we approve the authority of the Company to charge and recover carrying costs, if applicable, on the cumulative total over or under-collection balances using the same method and with the same limitations as set forth in Commission Order No. 2006-679 for the same reasons set forth in that Order. Sixth, I move that we find that the approximately \$10.5 million in credits distributed to gas residential and small/medium general service customer classes from the Prepaid Municipal Fee Account and as further set forth in Order No. 2008-49 is reasonable.

Seventh, I move that the hedging program should continue through the next review period with certain modifications, which are as follows:

- a. the percentage of volumes that may be hedged will be reduced from up to 50% to up to 25%;
- b. SCE&G will utilize the dollar cost averaging methodology;

- c. SCE&G will eliminate the Kase ezHedge™ model and any future associated operating and administrative costs with Kase and Company, Inc. for the use of that model once the current contract expires on September 30, 2008;
- d. the Company will reduce the number of forward months on which hedges may be placed to twelve months; and
- e. SCE&G will use call options instead of fixed price instruments where the premium for any call option purchased will be the lesser of or equal to: 1) 10% of current market price of natural gas for the month being hedged, or 2) the cost of an at-the-money call option for the month being hedged.

Eighth, I move that this Commission find, as stipulated by the parties, that SCE&G will settle its current outstanding hedge positions which expire beyond the twelve month time period described in subsection d) above by taking corresponding offsetting financial positions in the market if the resulting aggregate settlement in total results in a gain. Under my motion, SCE&G will apply this gain to the gas cost over/under collection account used in the cost of gas calculation factor in the month the settlements occur. Further, I also move that we hold that SCE&G shall continue to report to the ORS and the Commission within 30 days of the close of each month the results of the hedging program for the preceding months along with other information as stipulated in the Settlement Agreement.

Finally, move that we adopt and approve the Settlement Agreement reached by the parties in this case.

PRESIDING	<u>Fleming</u>				Session: Regular
	MOTION	YES	NO	OTHER	Time of Session <u>2:30 PM</u>
CLYBURN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		APPROVED _____
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		APPROVED STC 30 DAYS _____
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		ACCEPTED FOR FILING _____
HOWARD	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		DENIED _____
MITCHELL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		AMENDED _____
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		TRANSFERRED _____
WRIGHT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>		SUSPENDED _____
					CANCELED _____
					SET FOR HEARING _____
					ADVISED _____
					CARRIED OVER _____
					RECORDED BY <u>SCHMIEDING</u>